

Mid-Rivers COMMUNICATIONS



P.O. Box 280 • 904 C Avenue
Circle, Montana 59215
(406) 485-3301 • Fax: (406) 485-2924
www.midrivers.com

January 31, 2007

House Taxation Committee
Montana House of Representatives
PO Box 200400
Helena, MT 59620-0400
SENT VIA FAX TO (406) 444-4825

EXHIBIT 2
DATE 2.1.07
HB 469

Mr. Chairman and Members of the House Taxation Committee:

RE: PLEASE SUPPORT HB469

Tomorrow your Committee will hear House Bill 469, sponsored by Representative McNutt of Sidney, to clarify the tax classification of wireless communication property. This is a very important bill for anyone who uses a wireless phone in Montana, and especially to wireless phone users in the sparsely-populated regions of our state. Wireless coverage in Montana's many non-metropolitan areas is still less than adequate, and if this bill does not pass, that coverage will certainly not improve and might even worsen.

Mid-Rivers Communications operates a small independent wireless (cellular) system serving the most remote areas of Eastern Montana. We currently have about 20 cellular towers with plans to add two to three additional towers in un-served areas each year through at least 2009. We operate as a "fill-in" licensee, meaning we provide wireless coverage where no other coverage is available. Our current service area includes places like Ashland, Broadus, Hammond, Ekalaka, Baker, Circle, Jordan and Sand Springs. We have recently placed new cellular towers near Vida and Lambert and a new repeater site in Richey. Our build-out plans for 2007 and future years include locations like Alzada, Rock Springs, Savage, Volberg, and other un-served locations in Custer and Powder River counties.

These wireless properties are currently locally assessed for property tax purposes, and are taxed under the Class 8 business equipment tax at a rate of three percent. However, a recent audit at the Department of Revenue suggested that this wireless property should be centrally assessed and classified as Class 13 property and taxed at a rate of six percent. Clearly this would be devastating to all wireless carriers in Montana – especially the small, independent carriers – and to our build-out plans for additional coverage, as the tax rate on these properties would effectively double. The change from a local assessment to a central assessment process also has the potential to further increase taxable valuations.

Mid-Rivers Cellular is already paying approximately \$60,000 each year in property taxes on our wireless communication equipment, meaning we would pay \$120,000 or more without the clarifications provided in HB469. Obviously our taxable valuation and therefore our tax burden will grow as we expand our cellular operations. The added burden of the doubling of the property tax rate would create a major disincentive to the cellular build-outs we have planned in rural Montana. As I am sure most of you are personally familiar with, wireless telephone users in Montana can use all the improved cellular coverage we can get, and the last thing this state needs to do for public safety, economic development, and many other important causes is to discourage wireless build-out. HB469 simply clarifies that things should stay the way they have been rather than allowing the Department of Revenue to double tax rates in a biennium where the state does not necessarily need the extra revenue. We are grateful to Representative McNutt for bringing forth this bill and hope it is one you can all support.

GERRY ANDERSON
General Manager